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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

ORIGINAL  
FILED  
DEC 10 2007  
RICHARD W. WIEKING  
CLERK, U.S. DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
OAKLAND

DONALD CERINI, Individually and On Behalf of  
All Others Similarly Situated,

Plaintiff,

vs.

VERIFONE HOLDINGS, INC., DOUGLAS G.  
BERGERON, and BARRY ZWARENSTEIN,

Defendants.

CIVIL ACTION NO.

C07-06228 SC  
CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiff, Donald Cerini ("Plaintiff"), alleges the following based upon the investigation by Plaintiff's counsel, which included, among other things, a review of the defendants' public documents, conference calls and announcements made by defendants, United States Securities and Exchange Commission ("SEC") filings, wire and press releases published by and regarding VeriFone Holdings, Inc. ("VeriFone" or the "Company"), securities analysts' reports and advisories about the Company, and information readily available on the Internet, and Plaintiff believes that substantial additional evidentiary support will exist for the allegations set forth herein after a reasonable opportunity for discovery.

**NATURE OF THE ACTION AND OVERVIEW**

1  
2 1. This is a federal class action on behalf of purchasers of VeriFone's securities between  
3 September 1, 2006 and November 30, 2007, inclusive (the "Class Period"), seeking to pursue  
4 remedies under the Securities Exchange Act of 1934 (the "Exchange Act").

5 2. VeriFone is a provider of technology that enables electronic payment transactions and  
6 value-added services at the point of sale. The Company's systems consist of point of sale electronic  
7 payment devices that run the Company's and third-party operating systems, security and encryption  
8 software and certified payment software, as well as third-party applications. Its system solutions  
9 process a range of payment types, including signature and personal identification number-based  
10 debit cards, credit cards, contactless/radio frequency identification cards, smart cards, electronic bill  
11 payment, check authorization and conversion, signature capture and electronic benefits transfer. The  
12 Company's customers are primarily global financial institutions, payment processors, petroleum  
13 companies, large retailers, government organizations and healthcare companies, as well as  
14 independent sales organizations. On November 1, 2006, the Company acquired Lipman Electronic  
15 Engineering Ltd. ("Lipman Electronic").

16 3. On December 3, 2007, the Company shocked investors when it announced that its  
17 financial statements for the three months ended January 31, 2007, the three and six months ended  
18 April 30, 2007 and the three and nine months ended July 31, 2007 should no longer be relied upon.  
19 This was due to errors in accounting related to the valuation of in-transit inventory and allocation of  
20 manufacturing and distribution overhead to inventory. Each of these accounting errors affected  
21 VeriFone's reported costs of net revenues. Further, the Company disclosed that its restated financial  
22 statements would correct errors that overstated previously reported inventories by "material  
23 amounts," and understated the Company's cost of net revenues by "material amounts." A  
24 preliminary review revealed that these restatements would result in reductions to the Company's  
25 previously reported inventory levels of approximately \$7.7 million, \$16.5 million and \$30.2 million  
26 as of January 31, 2007, April 30, 2007 and July 31, 2007, respectively. Additionally, the Company  
27 would realize reductions to its previously reported pre tax income of approximately \$8.9 million,  
28 \$7.0 million and \$13.8 million for the three month periods ended January 31, 2007, April 30, 2007

1 and July 31, 2007, respectively.

2 4. Also on December 3, 2007, the *Associated Press* detailed how the Company had  
3 "overstated its profit before taxes by almost \$30 million, or 80 percent, in the first three quarters of  
4 the fiscal year." One analyst detailed how the restatement "calls into question VeriFone's gross  
5 margins, which up until now have been positive fuel for the stock." Other analysts stated that the  
6 necessary inventory adjustments were likely related to VeriFone's acquisition of Lipman Electronic  
7 Engineering, which the Company completed in November 2006.

8 5. On this news, the Company's shares fell \$22.00 per share, or over 45.8 percent, to  
9 close on December 3, 2007 at \$26.03 per share, on unusually heavy trading volume.

10 6. The Complaint alleges that, throughout the Class Period, defendants failed to disclose  
11 material adverse facts about the Company's financial well-being, business relationships, and  
12 prospects. Specifically, defendants failed to disclose or indicate the following: (1) that the  
13 Company had materially overstated its inventory due to accounting errors; (2) that the Company had  
14 materially understated its cost of net revenues; (3) as such, the Company's gross margins were  
15 misstated; (4) that the Company's financial results were not prepared in accordance with Generally  
16 Accepted Accounting Principles ("GAAP"); (5) that, as a result of the foregoing, the Company's  
17 financial statements were materially false and misleading at all relevant times; (6) that the  
18 Company's integration of Lipman Electronic was not proceeding according to plan; (7) that the  
19 Company lacked adequate internal and financial controls; and (8) that, as a result of the foregoing,  
20 the Company's statements about its financial well-being and future business prospects were lacking  
21 in any reasonable basis when made.

22 7. As a result of defendants' wrongful acts and omissions, and the precipitous decline in  
23 the market value of the Company's securities, Plaintiff and other Class Members have suffered  
24 significant losses and damages.

#### 25 JURISDICTION AND VENUE

26 8. The claims asserted herein arise under and pursuant to Sections 10(b) and 20(a) of the  
27 Exchange Act, (15 U.S.C. §§ 78j(b) and 78t(a)), and Rule 10b-5 promulgated thereunder (17 C.F.R.  
28 § 240.10b-5).



1 positions and access to material non-public information available to them, each of these defendants  
2 knew that the adverse facts specified herein had not been disclosed to, and were being concealed  
3 from, the public, and that the positive representations which were being made were then materially  
4 false and misleading. The Individual Defendants are liable for the false statements pleaded herein,  
5 as those statements were each "group-published" information, the result of the collective actions of  
6 the Individual Defendants.

## 7 **SUBSTANTIVE ALLEGATIONS**

### 8 **Background**

9 17. VeriFone is a provider of technology that enables electronic payment transactions and  
10 value-added services at the point of sale. The Company's systems consist of point of sale electronic  
11 payment devices that run the Company's and third-party operating systems, security and encryption  
12 software and certified payment software, as well as third-party applications. Its system solutions  
13 process a range of payment types, including signature and personal identification number-based  
14 debit cards, credit cards, contactless/radio frequency identification cards, smart cards, electronic bill  
15 payment, check authorization and conversion, signature capture and electronic benefits transfer. The  
16 Company's customers are primarily global financial institutions, payment processors, petroleum  
17 companies, large retailers, government organizations and healthcare companies, as well as  
18 independent sales organizations.

### 19 **Materially False and Misleading** 20 **Statements Issued During the Class Period**

21 18. On August 31, 2006, after the close of the market, the Company issued a press release  
22 entitled "VeriFone Reports Third Quarter Fiscal 2006 Results; Record Third Quarter Revenues of  
23 \$148 Million; EBITDA Margins, as Adjusted, Increased to 22.6% for the Quarter; Third Quarter  
24 GAAP Net Income Increased 156%." Therein, the Company, in relevant part, stated:

25 VeriFone Holdings, Inc. (NYSE: PAY), a leading global provider of  
26 technology that enables electronic payment transactions, today  
27 announced financial results for the three months ended July 31, 2006.

28 Net revenues for the three months ended July 31, 2006, were \$147.6  
million, an increase of 17% over net revenues of \$125.7 million for  
the comparable period of fiscal 2005. The increase was driven by a



1 19% increase in net revenues from VeriFone's North America  
2 business and a 16% increase in net revenues in VeriFone's  
3 International business.

4 Gross margins, under generally accepted accounting principles  
5 (GAAP), for the three months ended July 31, 2006, were 45.0%,  
6 compared to 40.7% for the three months ended July 31, 2005. Gross  
7 margins, excluding non-cash amortization of purchased intangibles  
8 and stock-based compensation expense, expanded for the seventh  
9 consecutive quarter and reached 45.9% compared to 42.0% for the  
10 three months ended July 31, 2005.

11 Net income for the three months ended July 31, 2006, was \$16.8  
12 million, or \$0.24 per diluted share, compared to \$6.5 million, or  
13 \$0.10 per diluted share, for the comparable period of fiscal 2005. Net  
14 income, as adjusted, which excludes non-cash amortization of  
15 purchased intangibles and debt issuance costs, as well as non-cash  
16 stock-based compensation expense, for the three months ended July  
17 31, 2006, was \$19.7 million, or \$0.28 per diluted share, compared to  
18 \$13.1 million, or \$0.20 per diluted share, for the comparable period  
19 of fiscal 2005.

20 EBITDA, as adjusted, which excludes non-cash amortization of  
21 purchased intangibles and debt issuance costs, as well as non-cash  
22 stock-based compensation expense, expanded for the eighth  
23 consecutive quarter and reached a record level of \$33.4 million, a  
24 49% increase over the \$22.4 million recorded in the three months  
25 ended July 31, 2005. As a percent of net revenues, EBITDA, as  
26 adjusted, for the three months ended July 31, 2006, reached 22.6%,  
27 substantially higher than the 17.8% recorded in the three months  
28 ended July 31, 2005.

"We are once again extremely pleased with the consistency of our  
quarterly results, demonstrated by our tenth consecutive quarter with  
double digit revenue growth and our eighth consecutive quarter of  
expanded EBITDA as adjusted margins, which reached a record level  
of 22.6% in the quarter," said Douglas G. Bergeron, Chairman and  
Chief Executive Officer. "We are expecting to close the acquisition of  
Lipman Electronic Engineering Ltd. by November 1, 2006, and  
remain confident that we will receive clearance by the United States  
Department of Justice very shortly. We remain on track to deliver  
another year of outstanding results and we remain confident in our  
long-term model, which calls for annual revenue growth of 10 to 15%  
and annual adjusted net income per share growth of 20% or more."

"Based on our confidence with our near term and long term outlook,  
we are raising our FY06 year end guidance to \$1.07 to \$1.08 of  
adjusted net income per share. We are also raising our FY07 guidance  
to \$1.40 to \$1.42 of adjusted net income per share, assuming a

1 November 1, 2006, completion of the Lipman acquisition," continued  
2 Bergeron.

3 19. On this news, the Company's shares increased \$5.32 per share, or 23 percent, to close  
4 on September 1, 2006 at \$28.47 per share, on unusually heavy trading volume.

5 20. Also on September 1, 2006, VeriFone filed its Quarterly Report with the SEC on  
6 Form 10-Q. The Company's 10-Q was signed by the Individual Defendants, and reaffirmed the  
7 Company's financial results previously announced on August 31, 2006. Additionally, the Company,  
8 in relevant part, stated:

9 **Critical Accounting Policies**

10 The discussion and analysis of our financial condition and results of  
11 operations are based upon our consolidated financial statements,  
12 which have been prepared in accordance with accounting principles  
13 generally accepted in the United States. The preparation of these  
14 financial statements requires us to make estimates and judgments that  
15 affect the reported amounts of assets, liabilities, revenues and  
16 expenses, and related disclosure of assets and liabilities. On an on-  
17 going basis, we evaluate our critical accounting policies and  
18 estimates, including those related to revenue recognition, bad debts,  
19 income taxes and intangible assets. We base our estimates on  
20 historical experience and on various other assumptions that we  
21 believe to be reasonable under the circumstances, the results of which  
22 form the basis for making judgments about the carrying values of  
23 assets and liabilities that are not readily apparent from other sources.  
24 Actual results may differ from these estimates under different  
25 assumptions or conditions. For further information on the critical  
26 accounting policies of VeriFone, see the discussion of critical  
27 accounting policies in VeriFone's Annual Report on Form 10-K for  
28 the fiscal year ended October 31, 2005, that was filed with the SEC  
on December 20, 2005.

\* \* \*

23 **CONTROLS AND PROCEDURES**

24 (a) *Evaluation of disclosure controls and procedures.*

25 With the participation of our Chief Executive Officer and Chief  
26 Financial Officer, management has carried out an evaluation of the  
27 effectiveness of our disclosure controls and procedures (as defined in  
28 Rule 13a-15(e) under the Securities Exchange Act of 1934). Based  
upon that evaluation, our Chief Executive Officer and Chief Financial  
Officer concluded that our disclosure controls and procedures were  
effective as of the end of the period covered by this report.

(b) *Changes in internal control over financial reporting.*

During the third quarter of our fiscal year ending October 31, 2006, we implemented the following changes to internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934):

- enhanced the secondary review for certain sales orders to ensure proper accounting;
- issued additional formal accounting policies and enhanced processes surrounding the recording of certain transactions for the purposes of enhancing internal controls.

These actions represent management's continued emphasis to adopt internal control related to developing business needs and to enhance the internal control environment as management continues to prepare for reporting on our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002.

21. The Company's 10-Q filed on September 1, 2006 also contained Sarbanes-Oxley required certifications, signed by the Individual Defendants, who stated:

I, [Douglas G. Bergeron, Chief Executive Officer / Barry Zwarenstein, Chief Financial Officer] of VeriFone Holdings, Inc. certify that:

1. I have reviewed this quarterly report on Form 10-Q of VeriFone Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be



designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

22. On November 1, 2006, the Company issued a press release entitled "VeriFone Completes Acquisition of Lipman." Therein, the Company, in relevant part, stated:

- Complementary Geographies Create Technology Leader Across Most Markets
- Increases Operating Model Targets
- New Management Team Announced

VeriFone Holdings, Inc. (NYSE: PAY; TASE: PAY) today announced the completion of its acquisition of Lipman Electronic

1 Engineering, Ltd. and an enhanced management team to lead the  
2 enlarged company. Additionally, VeriFone today is reaffirming  
3 operating model targets resulting from the benefits of its increased  
4 scale and geographic reach.

5 "Our acquisition of Lipman combines the two strong financial  
6 performers in the industry and, due to the very complementary  
7 geographic concentrations of the companies, we have created the  
8 undisputed payment technology leader in the world," said VeriFone  
9 Chairman and CEO Douglas G. Bergeron.

10 "VeriFone's new or expanded leadership position in North America  
11 and in Asia, Latin America, and many markets in Europe allows us to  
12 participate fully in the highest revenue growth areas of the world,"  
13 Bergeron said. "Our new research and development scale gives us the  
14 unique capabilities to meet the increasingly complex security  
15 standards for payment transactions and to be first-to-market with the  
16 increasingly complex systems and solutions our customers demand.

17 "VeriFone is committed to continuing and expanding the NURIT  
18 product family, offering our customers around the world the  
19 flexibility to maintain and enhance their installed base of systems  
20 with a lower total cost of ownership," Bergeron said.

#### 21 **UPDATED FINANCIAL OPERATING MODEL TARGETS**

22 The Company is reaffirming the improved long-term operating model  
23 that was announced on April 10, 2006. Specifically:

- 24 • Revenue growth is expected to be between 10% and 15%.
- 25 • Gross profit margin target, as adjusted for amortization of  
26 intangibles and stock-based compensation, is expected to be in  
27 the range of 42% to 47%.
- 28 • EBITDA margin target, as adjusted for amortization of  
intangibles, amortization of debt issuance costs and stock-based  
compensation, is expected to be in the range of 18% to 24%.
- Net profit margin target, as adjusted for amortization of  
intangibles, debt issuance costs and stock-based compensation, is  
expected to be in the range of 12% to 17%.

In addition, the Company is also reaffirming the guidance of \$1.40 to  
\$1.42 per share in earnings on a net income as adjusted basis for the  
2007 fiscal year starting on November 1, 2006, which was provided  
on the third quarter earnings conference call.

#### **FULLY INTEGRATED MANAGEMENT TEAM**

VeriFone is announcing the following executive appointments:

- William Atkinson has been named executive vice president, Payment Systems, responsible for all international business activity, the North American financial group, and the company's vertical market systems groups.
- Isaac Angel has been named executive vice president of operations.
- David Turnbull has been named global head of research and development.
- Jesse Adams has been named vice chairman of VeriFone.
- Additionally, Bud Waller continues as executive vice president, Integrated Systems, responsible for the company's Petroleum Systems group, Multi-Lane systems group, and software systems group. Barry Zwarenstein continues to serve as chief financial officer and executive vice president.

23. On December 7, 2006, the Company issued a press release entitled "VeriFone Reports Fourth Quarter and Fiscal 2006 Results." Therein, the Company, in relevant part, stated:

- Fourth-Quarter Revenues Increased 20% to \$157 Million
- EBITDA, as Adjusted, Margins Increased to 24.2% for the Quarter
- Fourth Quarter Net Income, as Adjusted, Increased 50% to \$22.3 Million

VeriFone Holdings, Inc. (NYSE: PAY), the global leader in secure electronic payment solutions, today announced financial results for the three months and fiscal year ended October 31, 2006.

Net revenues for the three months ended October 31, 2006, were \$156.6 million, an increase of 20% over net revenues of \$130.5 million for the comparable period of 2005. The increase was driven by a 30% increase in net revenues from VeriFone's International business and a 14% increase in net revenues from VeriFone's North America business.

Gross margins, under generally accepted accounting principles (GAAP), for the three months ended October 31, 2006, were 46.0%, compared to 42.7% for the three months ended October 31, 2005. Gross margins, excluding non-cash amortization of purchased intangibles and stock-based compensation expense, expanded for the eighth consecutive quarter and reached 47.1% for the three months

1 ended October 31, 2006, compared to 44.0% for the comparable  
2 period of 2005.

3 Net income for the three months ended October 31, 2006, was \$13.9  
4 million, or \$0.20 per diluted share, compared to \$12.1 million, or  
5 \$0.18 per diluted share, for the comparable period of fiscal 2005.  
6 GAAP net income was impacted in the quarter by the \$4.1 million  
7 after-tax write off of debt issuance costs, attributable to the  
8 refinancing of outstanding debt in connection with the Lipman  
9 acquisition. Net income, as adjusted, which excludes non-cash  
10 amortization of purchased intangibles and debt issuance costs, as well  
11 as non-cash stock-based compensation expense, for the three months  
12 ended October 31, 2006, was \$22.3 million, or \$0.32 per diluted  
13 share, compared to \$14.9 million, or \$0.22 per diluted share, for the  
14 comparable period of fiscal 2005.

15 EBITDA, as adjusted, which excludes non-cash amortization of  
16 purchased intangibles and debt issuance costs, as well as non-cash  
17 stock-based compensation expense, expanded for the ninth  
18 consecutive quarter and reached a record level of \$38.0 million, a  
19 44% increase over the \$26.5 million recorded in the three months  
20 ended October 31, 2005. EBITDA, as adjusted, margins for the three  
21 months ended October 31, 2006, reached 24.2%, as compared to the  
22 20.3% recorded in the three months ended October 31, 2005.

23 Net revenues for the fiscal year ended October 31, 2006, were \$581.0  
24 million, an increase of 20% over the \$485.4 million recorded for  
25 fiscal 2005.

26 Net income for the fiscal year ended October 31, 2006, was \$59.5  
27 million, compared to \$33.2 million for fiscal 2005. Net income, as  
28 adjusted, for the fiscal year ended October 31, 2006, was \$76.4  
million, compared to \$49.7 million, for fiscal 2005.

EBITDA, as adjusted, for the fiscal year ended October 31, 2006, was  
\$130.4 million, an increase of 51% over the \$86.4 million recorded  
for fiscal 2005. EBITDA, as adjusted, margins for the fiscal year  
ended October 31, 2006, were 22.4%, compared to 17.8% for the  
comparable period of 2005.

"VeriFone has completed another outstanding quarter and achieved  
record revenue and earnings for fiscal year 2006. This year was  
highlighted by our transformative acquisition of Lipman which  
combined the two strongest financial performers in the industry to  
create the world leader in payment technology," said Douglas G.  
Bergeron, Chairman and Chief Executive Officer.

"We enter our new financial year poised to capitalize on our  
numerous competitive advantages and our very wide range of product  
offerings," continued Bergeron. "The integration of Lipman into

VeriFone has been completed ahead of schedule and we have created a single-branded, unified company with tremendous scale advantages. Already, we are enjoying several supply chain efficiencies and earnings accretion."

"As a result, we have increased our internal expectations for fiscal Q1 2007 net earnings per share, as adjusted, to be in the range of \$0.33 to \$0.34. We remain very confident of our prospects in fiscal 2007."

24. On December 18, 2006, VeriFone filed its Annual Report with the SEC on Form 10-K. The Company's 10-K was signed by the Individual Defendants, among others, and reaffirmed the Company's financial results previously announced on December 7, 2006. The Company's 10-K also contained Sarbanes-Oxley required certifications, substantially similar to the certifications contained in ¶21, *supra*. Additionally, the Company, in relevant part, stated:

### **Critical Accounting Policies**

#### *General*

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact our consolidated financial statements. We believe the following critical accounting policies include our more significant estimates and assumptions used in the preparation of our consolidated financial statements. Our significant accounting policies are described in Note 2 to our consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

#### *Revenue Recognition*

Net revenues from System Solutions are recognized upon shipment, delivery, or customer acceptance of the product as required pursuant



1 to the customer arrangement. Net revenues from services such as  
2 customer support are initially deferred and then recognized on a  
3 straight-line basis over the term of the contract. Net revenues from  
4 services such as installations, equipment repairs, refurbishment  
5 arrangements, training and consulting are recognized as the services  
6 are rendered. For arrangements with multiple elements, we allocate  
7 net revenues to each element using the residual method based on  
8 objective and reliable evidence of the fair value of the undelivered  
9 element. We defer the portion of the arrangement fee equal to the  
10 objective evidence of fair value of the undelivered elements until they  
11 are delivered.

12 While the majority of our sales transactions contain standard business  
13 terms and conditions, there are some transactions that contain non-  
14 standard business terms and conditions. As a result, significant  
15 contract interpretation is sometimes required to determine the  
16 appropriate accounting including: (1) whether an arrangement exists  
17 and what is included in the arrangement; (2) how the arrangement  
18 consideration should be allocated among the deliverables if there are  
19 multiple deliverables; (3) when to recognize net revenues on the  
20 deliverables; (4) whether undelivered elements are essential to the  
21 functionality of delivered elements; and (5) whether we have fair  
22 value for the undelivered element. In addition, our revenue  
23 recognition policy requires an assessment as to whether collectibility  
24 is probable, which inherently requires us to evaluate the  
25 creditworthiness of our customers. Changes in judgments on these  
26 assumptions and estimates could materially impact the timing of  
27 revenue recognition.

28 \* \* \*

## CONTROLS AND PROCEDURES

### (a) *Evaluation of disclosure controls and procedures.*

21 With the participation of our Chief Executive Officer and Chief  
22 Financial Officer, management has evaluated the effectiveness of our  
23 disclosure controls and procedures (as defined in Rule 13a-15(e) and  
24 15d-15(e) under the Securities Exchange Act of 1934) as of the end  
25 of the period covered by this report. Based on such evaluation, our  
26 Chief Executive Officer and Chief Financial Officer have concluded  
27 that, as of the end of such period, our disclosure controls and  
28 procedures are effective.

### (b) *Management's report on internal control over financial reporting.*

Our management is responsible for establishing and maintaining  
adequate internal control over financial reporting, as such term is  
defined in Exchange Act Rules 13a-15(f) and 15d-15(f), to provide

1 reasonable assurance regarding the reliability of our financial  
2 reporting and the preparation of financial statements for external  
3 purposes in accordance with U.S. generally accepted accounting  
4 principles. Under the supervision and with the participation of our  
5 management, including our Chief Executive Officer and Chief  
6 Financial Officer, we conducted an evaluation of the design and  
7 operational effectiveness of our internal control over financial  
8 reporting as of October 31, 2006 based on the framework in *Internal  
9 Control—Integrated Framework* issued by the Committee of  
10 Sponsoring Organizations of the Treadway Commission (COSO).

11 25. On March 1, 2007, the Company issued a press release entitled "VeriFone Reports  
12 First Quarter Fiscal 2007 Results." Therein, the Company, in relevant part, stated:

13 **Revenues of \$217 million Grew 61% due to Lipman Acquisition**  
14 **and Strong International Performance**

15 **Record EBITDA, as adjusted, margins of 25.7%**

16 **EPS, as adjusted, increases 54% to 37 cents**

17 VeriFone Holdings, Inc. (NYSE: PAY), the global leader in secure  
18 electronic payment solutions, today announced financial results for  
19 the three months ended January 31, 2007. The Company's first  
20 quarter results reflect the November 1, 2006, acquisition of Lipman  
21 and, because of the integration of Lipman's products and distribution  
22 channels as well as the lack of comparable quarter ends of VeriFone  
23 and Lipman, are compared to pre-acquisition results of prior fiscal  
24 periods.

25 Net revenues, for the three months ended January 31, 2007, were  
26 \$216.6 million, 61% higher than the net revenues of \$134.6 million  
27 for the comparable period of 2006. The record revenues were driven  
28 by the Lipman acquisition and a strong performance internationally.

Gross margins, excluding non-cash acquisition related charges and  
stock-based compensation expense, were 47.1%, for the three months  
ended January 31, 2007, compared to 45.6% for the comparable  
period of 2006. GAAP gross margins for the three months ended  
January 31, 2007, were 37.6%, compared to 44.3% for the three  
months ended January 31, 2006, as a result of increased amortization  
of purchased technology assets and the step-up in inventory.

EBITDA, as adjusted, margins for the three months ended January  
31, 2007, expanded for the tenth consecutive quarter and reached a  
record level of 25.7%, compared to the 21.0% recorded in the three  
months ended January 31, 2006.

GAAP EPS for the three months ended January 31, 2007, was a loss of (\$0.01) per diluted share, compared to \$0.20 per diluted share, for the comparable period of fiscal 2006, due to acquisition related charges and a higher GAAP tax rate. Net income, as adjusted, which excludes non-cash acquisition related charges and debt issuance costs, as well as non-cash stock-based compensation expense, for the three months ended January 31, 2007, increased 54% to \$0.37 per diluted share, compared to \$0.24 per diluted share, for the three months ended January 31, 2006.

"VeriFone has successfully completed its first quarter since our transformative acquisition of Lipman. I am delighted both with the progress that we have made in integrating Lipman's business into VeriFone and in generating another very strong quarter financially and operationally," said Douglas G. Bergeron, Chairman and Chief Executive Officer.

"VeriFone's newly configured worldwide sales force is serving customers through a fully integrated distribution channel and supply chain. At the same time we have been reducing inventory and generating considerable operating cash flow," continued Bergeron.

"Based on these results, we are increasing our second quarter internal expectations for net income, as adjusted, per share to be in the range of \$0.36 to \$0.37. We remain very confident of our prospects for fiscal 2007."

26. On March 9, 2007, VeriFone filed its Quarterly Report with the SEC on Form 10-Q. The Company's 10-Q was signed by the Individual Defendants, and reaffirmed the Company's financial results previously announced on March 1, 2007. The Company's 10-Q also contained Sarbanes-Oxley required certifications, substantially similar to the certifications contained in ¶21, *supra*. Additionally, the Company, in relevant part, stated:

#### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of assets and liabilities. On an on-going basis, we evaluate our critical accounting policies and estimates, including those related to revenue recognition, bad debts, income taxes and intangible assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which

form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. For further information on our critical accounting policies, see the discussion of critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended October 31, 2006, which was filed with the SEC on December 18, 2006.

\* \* \*

## CONTROLS AND PROCEDURES

### (a) *Evaluation of disclosure controls and procedures.*

With the participation of our Chief Executive Officer and Chief Financial Officer, management has carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(f) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

### (b) *Changes in internal control over financial reporting.*

During the first quarter of our fiscal year ending October 31, 2007, as a result of our acquisition of Lipman, we implemented the following changes to internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934):

- Ensured the adoption of VeriFone's accounting policies and processes for Lipman's transactions
- Enhanced the review for certain sales orders to ensure proper accounting.

There have been no other changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting for the quarter ended January 31, 2007.

27. On May 29, 2007, the Company issued a press release entitled "VeriFone Reports Second Quarter Fiscal 2007 Results." Therein, the Company, in relevant part, stated:

**Revenues of \$217 Million Grew 53% Due to Lipman Acquisition  
and Resurgent North American Growth**

**Record EBITDA, as Adjusted, Margins of 26.3%**

**EPS, as Adjusted, Increases 50% to 39 Cents**

VeriFone Holdings, Inc. (NYSE: PAY), the global leader in secure electronic payment solutions, today announced financial results for the three months ended April 30, 2007.

Net revenues, for the three months ended April 30, 2007, were \$217.2 million, 53% higher than the net revenues of \$142.2 million for the comparable period of 2006. VeriFone's International business increased 97% and VeriFone's North America business increased 19%. The significant increase in sales was driven largely by the acquisition of Lipman, which closed November 1, 2006.

Subsequent to the end of the quarter, management determined that booked orders of approximately \$4 million could not be recognized as revenue due to incomplete sales administration requirements in our international operations. These orders were largely sourced from VeriFone's new Israeli and Turkish facilities and all were headed to high growth markets in Asia, Eastern Europe and Africa. The Company is confident that the shortcomings in applying these field processes have now been remedied. All of this revenue has now been fully recognized and is reflected in guidance for the third quarter.

Gross margins, excluding non-cash acquisition related charges and stock-based compensation expense, expanded to a record 48.1%, for the three months ended April 30, 2007, compared to 45.7% for the comparable period of 2006. GAAP gross margins for the three months ended April 30, 2007, were 41.5%, compared to 44.6% for the three months ended April 30, 2006, as a result of increased amortization of purchased technology assets, the step-up in inventory and stock-based compensation.

GAAP operating expenses for the three months ended April 30, 2007, were \$72.9 million compared to \$37.8 million for the comparable period of 2006. In addition to the effect of the Lipman acquisition and related integration expenses, the Company incurred higher non-cash stock compensation expenses and amortization of purchased intangible assets. Stock based compensation for the three months ended April 30, 2007 was \$9.8 million compared to \$1.0 million for the comparable period of 2006. This increase was primarily due to the acceleration of the vesting of options of Lipman executives, the increase in the number of option holders following the Lipman acquisition and the grant of performance-based restricted stock units to the Company's Chief Executive Officer. Amortization of purchased intangible assets for the three months ended April 30, 2007 was \$6.1 million compared to \$1.2 million for the comparable period of 2006, primarily due to the Lipman acquisition.



1 EBITDA, as adjusted, margins for the three months ended April 30,  
2 2007, expanded for the eleventh consecutive quarter and reached a  
3 record level of 26.3%, compared to the 21.6% recorded in the three  
4 months ended April 30, 2006.

5 GAAP EPS for the three months ended April 30, 2007, was \$0.06 per  
6 diluted share, compared to \$0.22 per diluted share, for the  
7 comparable period of fiscal 2006, due to acquisition related non-cash  
8 charges, higher stock-based compensation expense primarily related  
9 to the Lipman acquisition and to a significantly higher GAAP tax rate  
10 driven by an increase in the valuation allowance related to Lipman.  
11 Net income, as adjusted, which excludes non-cash acquisition related  
12 charges and debt issuance costs, as well as non-cash stock-based  
13 compensation expense and Lipman integration costs, for the three  
14 months ended April 30, 2007, increased 50% to \$0.39 per diluted  
15 share, compared to \$0.26 per diluted share, for the three months  
16 ended April 30, 2006.

17 "I am pleased to report on another very successful quarter for  
18 VeriFone as we once again achieved record profitability," said  
19 Douglas G. Bergeron, Chairman and Chief Executive Officer.  
20 "During the quarter, our record margins drove our robust EPS  
21 growth, and also resulted in strong cash flow," continued Bergeron.  
22 "We were especially pleased with our continuing success of our  
23 wireless products and were delighted with the resurgence of our  
24 North American business which grew sequentially 8 percent from the  
25 previous quarter."

26 "Based on these results and the \$4 million of revenue which has been  
27 recognized in the third quarter, we are increasing our third quarter  
28 internal expectations for net revenue to \$225 - \$227 million and  
increasing our guidance for net income, as adjusted, per share to a  
range of \$0.39 - \$0.40. We remain confident of our prospects for the  
remainder of fiscal 2007."

28. On May 31, 2007, VeriFone filed its Quarterly Report with the SEC on Form 10-Q.  
The Company's 10-Q was signed by the Individual Defendants, and reaffirmed the Company's  
financial results previously announced on May 29, 2007. The Company's 10-Q also contained  
Sarbanes-Oxley required certifications, substantially similar to the certifications contained in ¶21,  
*supra*. Additionally, the Company, in relevant part, stated:

**Critical Accounting Policies**

The discussion and analysis of our financial condition and results of  
operations are based upon our consolidated financial statements,  
which have been prepared in accordance with accounting principles  
generally accepted in the United States. The preparation of these

financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of assets and liabilities. On an ongoing basis, we evaluate our critical accounting policies and estimates, including those related to revenue recognition, bad debts, income taxes and intangible assets. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. For further information on our critical accounting policies, see the discussion of critical accounting policies in our Annual Report on Form 10-K for the fiscal year ended October 31, 2006, which was filed with the SEC on December 18, 2006.

\* \* \*

## CONTROLS AND PROCEDURES

### (a) *Evaluation of disclosure controls and procedures.*

With the participation of our Chief Executive Officer and Chief Financial Officer, management has carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(f) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

### (b) *Changes in internal control over financial reporting.*

No change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934) occurred during the second quarter of our fiscal year

29. On September 6, 2007, the Company issued a press release entitled "VeriFone Reports Third Quarter Fiscal 2007 Results." Therein, the Company, in relevant part, stated:

**Record Revenues of \$232 million**

**Record EBITDA, as adjusted, margins of 27.3%**

**Record EPS, as adjusted, of 42 cents, grew 50%**

**Record Operating Cash Flow of \$43 million**

1 VeriFone Holdings, Inc. (NYSE: PAY), the global leader in secure  
2 electronic payment solutions, today announced financial results for  
the three months ended July 31, 2007.

3 Net revenues, for the three months ended July 31, 2007, were \$231.9  
4 million, 57% higher than the net revenues of \$147.6 million for the  
5 comparable period of 2006. Net revenues from VeriFone's  
6 International business increased 106% while net revenues from  
7 VeriFone's North America business increased 22%. The significant  
increase in net revenues was driven largely by the acquisition of  
Lipman Electronic Engineering Ltd., which closed November 1,  
2006.

8 Gross margins, excluding non-cash acquisition related charges and  
9 stock-based compensation expense, expanded to a record 48.2%, for  
the three months ended July 31, 2007, compared to 45.9% for the  
10 comparable period of 2006. GAAP gross margins for the three  
11 months ended July 31, 2007, declined to 44.0% from 45.0% for the  
three months ended July 31, 2006, primarily as a result of increased  
12 amortization of purchased technology assets.

13 GAAP operating expenses for the three months ended July 31, 2007  
14 were \$65.5 million compared to \$38.0 million for the comparable  
period of 2006. This increase was primarily due to the Lipman  
15 acquisition and related integration expenses.

16 EBITDA, as adjusted, margins for the three months ended July 31,  
2007, expanded for the twelfth consecutive quarter and reached a  
17 record level of 27.3%, compared to the 22.6% recorded in the three  
months ended July 31, 2006.

18 GAAP EPS for the three months ended July 31, 2007, was \$0.16 per  
19 diluted share, compared to \$0.24 per diluted share, for the  
comparable period of fiscal 2006. This decline resulted from  
20 acquisition related non-cash charges, higher stock-based  
21 compensation expense and a higher GAAP tax rate driven by an  
increase in the valuation allowance related to the Lipman acquisition.  
22 Net income, as adjusted, which excludes non-cash acquisition related  
charges and debt issuance costs, as well as non-cash stock-based  
23 compensation expense and Lipman integration costs, for the three  
months ended July 31, 2007, increased 50% to \$0.42 per diluted  
24 share, compared to \$0.28 per diluted share, for the comparable period  
in 2006.

25  
26 "I am extremely pleased to report on another outstanding quarter as  
27 we once again achieved exceptional financial results," said Douglas  
G. Bergeron, Chairman and Chief Executive Officer. "During the  
28 quarter, we achieved record revenues and record gross and operating  
margins, all which led to strong EPS growth," continued Bergeron.

"Our North American business continued to surge, growing 9% sequentially. Our compelling portfolio of wireless solutions and our strength in emerging markets were also significant factors driving our success this quarter."

"We are increasing our internal expectations for the fourth quarter and now expect to repeat these record third quarter results. Our guidance for the fourth quarter, therefore, is for net revenue of \$231 - \$233 million and net income, as adjusted, per share of \$0.41 - \$0.42. As a result, we are also increasing our full year fiscal year 2007 expectations for net income, as adjusted per share to \$1.59 to \$1.60 per share. As well, given the out-performance in profitability that we have consistently enjoyed since the closing of the Lipman acquisition last November, we are now taking this opportunity to update our long term financial model. We are reaffirming our revenue growth rate projection in the 10% - 15% range and we are increasing our margin expectations as reflected in the table below."

#### Long Term Model

	Prior	New
Gross Margin	42% - 47%	45% - 50%
EBITDA Margin	18% - 24%	25% - 30%
Net Margin	12% - 17%	15% - 20%

[Internal footnotes omitted.]

30. On September 7, 2007, VeriFone filed its Quarterly Report with the SEC on Form 10-Q. The Company's 10-Q was signed by the Individual Defendants, and reaffirmed the Company's financial results previously announced on September 6, 2007. The Company's 10-Q also contained Sarbanes-Oxley required certifications, substantially similar to the certifications contained in ¶21, *supra*. Additionally, the Company, in relevant part, stated:

#### Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosure of assets and liabilities. On an on-going basis, we evaluate our critical accounting policies and estimates, including those related to revenue recognition, bad debts,

1 income taxes, and intangible assets. We base our estimates on  
2 historical experience and on various other assumptions that we  
3 believe to be reasonable under the circumstances, the results of which  
4 form the basis for making judgments about the carrying values of  
5 assets and liabilities that are not readily apparent from other sources.  
6 Actual results may differ from these estimates under different  
7 assumptions or conditions. For further information on our critical  
8 accounting policies, see the discussion of critical accounting policies  
9 in our Annual Report on Form 10-K for the fiscal year ended  
10 October 31, 2006, which was filed with the SEC on December 18,  
11 2006.

12 \* \* \*

## 13 CONTROLS AND PROCEDURES

### 14 (a) *Evaluation of disclosure controls and procedures.*

15 With the participation of our Chief Executive Officer and Chief  
16 Financial Officer, management has carried out an evaluation of the  
17 effectiveness of our disclosure controls and procedures (as defined in  
18 Rule 13a-15(e) and 15d-15(f) under the Securities Exchange Act of  
19 1934). Based upon that evaluation, our Chief Executive Officer and  
20 Chief Financial Officer concluded that our disclosure controls and  
21 procedures were effective as of the end of the period covered by this  
22 report.

### 23 (b) *Changes in internal control over financial reporting.*

24 No change in our internal control over financial reporting (as defined  
25 in Rule 13a-15(f) under the Securities and Exchange Act of  
26 1934) occurred during the third quarter of our fiscal year ended  
27 July 31, 2007 that has materially affected, or is reasonably likely to  
28 affect, our internal control over financial reporting.

31. The statements contained in ¶¶ 18 and 20 – 30 were materially false and misleading when made because defendants failed to disclose or indicate the following: (1) that the Company had materially overstated its inventory due to accounting errors; (2) that the Company had materially understated its cost of net revenues; (3) as such, the Company's gross margins were misstated; (4) that the Company's financial results were not prepared in accordance with GAAP; (5) that, as a result of the foregoing, the Company's financial statements were materially false and misleading at all relevant times; (6) that the Company's integration of Lipman Electronic was not proceeding according to plan; (7) that the Company lacked adequate internal and financial controls; and (8) that,



1 as a result of the foregoing, the Company's statements about its financial well-being and future  
2 business prospects were lacking in any reasonable basis when made.

3 **The Truth Begins to Emerge**

4 32. On December 3, 2007, the Company shocked investors when it issued a press release  
5 entitled "VeriFone Announces Anticipated Restatement of 2007 Quarterly Financial Statements."  
6 Therein, the Company, in relevant part, disclosed:

7 **Also Announces Preliminary Fourth Quarter 2007 Revenue**  
8 **Results and Delays Announcement of Fourth Quarter 2007**  
9 **Financial Results**

10 VeriFone Holdings, Inc. (NYSE: PAY) today announced that  
11 following a review by and on the recommendation of management, it  
12 has concluded that *its unaudited interim consolidated financial*  
13 *statements for the three months ended January 31, 2007, the three*  
14 *and six months ended April 30, 2007 and the three and nine months*  
15 *ended July 31, 2007 should no longer be relied upon, principally*  
16 *due to errors in accounting related to the valuation of in-transit*  
17 *inventory and allocation of manufacturing and distribution*  
18 *overhead to inventory, each of which affects VeriFone's reported*  
19 *costs of net revenues. The restatements are anticipated to correct*  
20 *errors that overstated previously reported inventories in material*  
21 *amounts as of January 31, 2007, April 30, 2007 and July 31, 2007,*  
22 *and understated cost of net revenues in material amounts for the*  
23 *three month periods ended January 31, 2007, April 30, 2007, and July*  
24 *31, 2007. Accordingly, investors are cautioned not to rely on*  
25 *VeriFone's historical financial statements and earnings press*  
26 *releases and similar communications for the periods ended January*  
27 *31, 2007, April 30, 2007, and July 31, 2007.*

28 Based on its review to date, management currently anticipates that the  
*restatement will result in reductions to previously reported*  
*inventories of approximately \$7.7 million, \$16.5 million and \$30.2*  
*million as of January 31, 2007, April 30, 2007 and July 31, 2007,*  
*respectively, and reductions to previously reported pre tax income of*  
*approximately \$8.9 million, \$7.0 million and \$13.8 million for the*  
*three month periods ended January 31, 2007, April 30, 2007 and*  
*July 31, 2007, respectively. VeriFone is currently evaluating the*  
*anticipated effect of the restatement on after-tax income for those*  
*periods.*

*These estimates include corrections of other unrelated errors*  
*detected in the course of VeriFone's review to date, are based on*  
*currently available information and are subject to change during the*  
*course of the company's restatement process. While VeriFone is not*  
*currently aware of other accounting errors requiring adjustment to*

any prior period financial statements, there can be no assurances that VeriFone or its independent registered public accounting firm will not find additional accounting errors requiring further adjustments in those or earlier periods.

VeriFone today also announced that it expects to report total revenues for the three and twelve months ended October 31, 2007, of approximately \$238 million and \$904 million, respectively. VeriFone's management and the Audit Committee of its Board of Directors have determined to delay the release of full fourth quarter 2007 financial results that were scheduled to be released on December 6, 2007, pending completion of the assessment of these errors and the restatements.

"I am very disappointed to have to bring you this news and am committed to ensuring that we promptly and thoroughly remedy this situation and move forward with the business of delivering value to our shareholders. I am committed to regaining your confidence in VeriFone," said Douglas G. Bergeron, Chairman and Chief Executive Officer.

VeriFone concluded that a restatement of its interim unaudited financial statements is required as a result of an internal review of in-transit inventory balances conducted in preparation for VeriFone's fiscal 2007 audit. In reaching the conclusion to restate its financial results, VeriFone's management and the Audit Committee discussed the matters described in this press release with VeriFone's independent registered public accounting firm.

Upon completion of its assessment of these errors, VeriFone intends to file amended Quarterly Reports on Form 10-Q for the periods described above that will restate the previously issued financial statements included therein. VeriFone currently estimates that it will file these amended quarterly reports, together with its Annual Report on Form 10 K for the fiscal year ended October 31, 2007, in January 2008. However, VeriFone cannot be certain how much time will ultimately be required for it to complete the restatement process. [Emphasis added.]

33. On this news, the Company's shares fell \$22.00 per share, or over 45.8 percent, to close on December 3, 2007 at \$26.03 per share, on unusually heavy trading volume.

34. Also on December 3, 2007, the *Associated Press* reported:

**VeriFone Shares Nose-Dive; Analysts Say Overstatement Likely Related to Lipman Acquisition**

*Shares of VeriFone Holdings Inc. nose-dived nearly 50 percent Monday after the payment processing equipment maker said it*

1 *overstated its profit before taxes by almost \$30 million, or 80*  
 2 *percent, in the first three quarters of the fiscal year.*

3 Shares plunged \$22.11, or 46 percent, to \$25.91 in afternoon trading  
 4 after hitting a new 52-week low of \$23.67 earlier in the session.  
 Shares have traded between \$31.45 and \$50 in the past 12 months.

5 VeriFone, which will restate results from the first nine months of the  
 6 year, *blamed accounting errors, saying it did not properly value the*  
 7 *products in its inventory, which means the costs the company*  
 8 *recorded were too low.* The San Jose, Calif.-based company also said  
 it will delay filing its fourth-quarter results pending a complete  
 assessment of the accounting errors.

9 *"The restatement calls into question VeriFone's gross margins,*  
 10 *which up until now have been positive fuel for the stock,"* Tien-tsin  
 Huang, an analyst at JPMorgan Securities, wrote in a note to  
 investors.

11 Wachovia Securities analyst Daniel R. Perlin said *the inventory*  
 12 *adjustments are likely related to VeriFone's acquisition of Lipman*  
 13 *Electronic Engineering Ltd., an Israeli provider of electronic*  
 14 *payment systems, which was completed in November 2006.*

15 Gil Luria, an analyst at Wedbush Morgan Securities Inc., *agreed the*  
 16 *restatement probably stems from the acquisition. Luria said investor*  
*reaction to the announcement is warranted,* but what investors are  
 perhaps even more worried about is the potential for more bad news.

17 *In a statement, VeriFone said there may be additional accounting*  
 18 *errors requiring further adjustments.*

19 \* \* \*

20 The news came as a surprise to investors, as there were no warning  
 21 signs of possible trouble.

22 "Whatever they did, whatever mistakes they made were beneath the  
 surface," Luria said. [Emphasis added.]

23 **VERIFONE'S VIOLATION OF GAAP RULES**  
 24 **IN ITS FINANCIAL STATEMENTS**  
 25 **FILED WITH THE SEC**

26 35. These financial statements and the statements about the Company's financial results  
 27 were false and misleading, as such financial information was not prepared in conformity with  
 28 GAAP, nor was the financial information a fair presentation of the Company's operations due to the  
 Company's improper accounting for, and disclosure about its revenues, in violation of GAAP rules.

1           36. GAAP are those principles recognized by the accounting profession as the  
2 conventions, rules and procedures necessary to define accepted accounting practice at a particular  
3 time. Regulation S-X (17 C.F.R. § 210.4 01(a) (1)) states that financial statements filed with the SEC  
4 which are not prepared in compliance with GAAP are presumed to be misleading and inaccurate.  
5 Regulation S-X requires that interim financial statements must also comply with GAAP, with the  
6 exception that interim financial statements need not include disclosure which would be duplicative  
7 of disclosures accompanying annual financial statements. 17 C.F.R. § 210.10-01(a).

8           37. The fact that VeriFone will restate its financial statements, and disclosed that these  
9 financial statements should not be relied upon is an admission that they were false and misleading  
10 when originally issued (APB No.20, ¶¶7-13; SFAS No. 154, ¶25).

11           38. Given these accounting irregularities, the Company announced financial results that  
12 were in violation of GAAP and the following principles:

- 13           (a) The principle that "interim financial reporting should be based upon the same  
14 accounting principles and practices used to prepare annual financial  
15 statements" was violated (APB No. 28, ¶10);
- 16           (b) The principle that "financial reporting should provide information that is  
17 useful to present to potential investors and creditors and other users in  
18 making rational investment, credit, and similar decisions" was violated  
19 (FASB Statement of Concepts No. 1, ¶34);
- 20           (c) The principle that "financial reporting should provide information about the  
21 economic resources of an enterprise, the claims to those resources, and  
22 effects of transactions, events, and circumstances that change resources and  
23 claims to those resources" was violated (FASB Statement of Concepts No. 1,  
24 ¶40);
- 25           (d) The principle that "financial reporting should provide information about an  
26 enterprise's financial performance during a period" was violated (FASB  
27 Statement of Concepts No. 1, ¶42);
- 28           (e) The principle that "financial reporting should provide information about how

1 management of an enterprise has discharged its stewardship responsibility to  
2 owners (stockholders) for the use of enterprise resources entrusted to it" was  
3 violated (FASB Statement of Concepts No. 1, ¶50);

4 (f) The principle that "financial reporting should be reliable in that it represents  
5 what it purports to represent" was violated (FASB Statement of Concepts No.  
6 2, ¶¶ 58-59);

7 (g) The principle that "completeness, meaning that nothing is left out of the  
8 information that may be necessary to insure that it validly represents  
9 underlying events and conditions" was violated (FASB Statement of  
10 Concepts No. 2, ¶79); and

11 (h) The principle that "conservatism be used as a prudent reaction to uncertainty  
12 to try to ensure that uncertainties and risks inherent in business situations are  
13 adequately considered" was violated (FASB Statement of Concepts No. 2,  
14 ¶95).

15 39. The adverse information concealed by Defendants during the Class Period and  
16 detailed above was in violation of Item 303 of Regulation S-K under the federal securities law (17  
17 C.F.R. §229.303).

18 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

19 40. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil  
20 Procedure 23(a) and (b)(3) on behalf of a Class, consisting of all those who purchased VeriFone's  
21 securities between September 1, 2006 and November 30, 2007, inclusive (the "Class Period") and  
22 who were damaged thereby. Excluded from the Class are defendants, the officers and directors of  
23 the Company, at all relevant times, members of their immediate families and their legal  
24 representatives, heirs, successors or assigns and any entity in which defendants have or had a  
25 controlling interest.

26 41. The members of the Class are so numerous that joinder of all members is  
27 impracticable. Throughout the Class Period, VeriFone's securities were actively traded on the New  
28 York Stock Exchange ("NYSE"). While the exact number of Class members is unknown to Plaintiff



1 at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there  
2 are hundreds or thousands of members in the proposed Class. Record owners and other members of  
3 the Class may be identified from records maintained by VeriFone or, its transfer agent and may be  
4 notified of the pendency of this action by mail, using the form of notice similar to that customarily  
5 used in securities class actions.

6 42. Plaintiff's claims are typical of the claims of the members of the Class as all members  
7 of the Class are similarly affected by defendants' wrongful conduct in violation of federal law that is  
8 complained of herein.

9 43. Plaintiff will fairly and adequately protect the interests of the members of the Class  
10 and has retained counsel competent and experienced in class and securities litigation.

11 44. Common questions of law and fact exist as to all members of the Class and  
12 predominate over any questions solely affecting individual members of the Class. Among the  
13 questions of law and fact common to the Class are:

- 14 (a) whether the federal securities laws were violated by defendants' acts as  
15 alleged herein;
- 16 (b) whether statements made by defendants to the investing public during the  
17 Class Period misrepresented material facts about the business, operations and  
18 management of VeriFone; and
- 19 (c) to what extent the members of the Class have sustained damages and the  
20 proper measure of damages.

21 45. A class action is superior to all other available methods for the fair and efficient  
22 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the  
23 damages suffered by individual Class members may be relatively small, the expense and burden of  
24 individual litigation make it impossible for members of the Class to individually redress the wrongs  
25 done to them. There will be no difficulty in the management of this action as a class action.

26 **UNDISCLOSED ADVERSE FACTS**

27 46. The market for VeriFone's securities was open, well-developed and efficient at all  
28 relevant times. As a result of these materially false and misleading statements, and failures to

1 disclose, VeriFone's securities traded at artificially inflated prices during the Class Period. Plaintiff  
2 and other members of the Class purchased or otherwise acquired VeriFone's securities relying upon  
3 the integrity of the market price of VeriFone's securities and market information relating to  
4 VeriFone, and have been damaged thereby.

5 47. During the Class Period, defendants materially misled the investing public, thereby  
6 inflating the price of VeriFone's securities, by publicly issuing false and misleading statements and  
7 omitting to disclose material facts necessary to make defendants' statements, as set forth herein, not  
8 false and misleading. Said statements and omissions were materially false and misleading in that  
9 they failed to disclose material adverse information and misrepresented the truth about the Company,  
10 its business and operations, as alleged herein.

11 48. At all relevant times, the material misrepresentations and omissions particularized in  
12 this Complaint directly or proximately caused or were a substantial contributing cause of the  
13 damages sustained by Plaintiff and other members of the Class. As described herein, during the  
14 Class Period, defendants made or caused to be made a series of materially false or misleading  
15 statements about VeriFone's financial well-being, business relationships, and prospects. These  
16 material misstatements and omissions had the cause and effect of creating in the market an  
17 unrealistically positive assessment of VeriFone and its financial well-being, business relationships,  
18 and prospects, thus causing the Company's securities to be overvalued and artificially inflated at all  
19 relevant times. Defendants' materially false and misleading statements during the Class Period  
20 resulted in Plaintiff and other members of the Class purchasing the Company's securities at  
21 artificially inflated prices, thus causing the damages complained of herein.

#### 22 **LOSS CAUSATION**

23 49. Defendants' wrongful conduct, as alleged herein, directly and proximately caused the  
24 economic loss suffered by Plaintiff and the Class.

25 50. During the Class Period, Plaintiff and the Class purchased VeriFone's securities at  
26 artificially inflated prices and were damaged thereby. The price of VeriFone's securities  
27 significantly declined when the misrepresentations made to the market, and/or the information  
28 alleged herein to have been concealed from the market, and/or the effects thereof, were revealed,

1 causing investors' losses.

## 2 SCIENTER ALLEGATIONS

3 51. As alleged herein, defendants acted with scienter in that defendants knew that the  
4 public documents and statements issued or disseminated in the name of the Company were  
5 materially false and misleading; knew that such statements or documents would be issued or  
6 disseminated to the investing public; and knowingly and substantially participated or acquiesced in  
7 the issuance or dissemination of such statements or documents as primary violations of the federal  
8 securities laws. As set forth elsewhere herein in detail, defendants, by virtue of their receipt of  
9 information reflecting the true facts regarding VeriFone, their control over, and/or receipt and/or  
10 modification of VeriFone's allegedly materially misleading misstatements and/or their associations  
11 with the Company which made them privy to confidential proprietary information concerning  
12 VeriFone, participated in the fraudulent scheme alleged herein.

13 52. Throughout the Class Period, the defendants took advantage of the artificially inflated  
14 price of the Company's securities to completing financing activities and an acquisition. For example,  
15 in November 2006, the Company completed its acquisition of Lipman Electronic by offering that  
16 company's shareholders consideration of \$12.80 in cash, or 0.50 shares of the Company's stock, in  
17 exchange for each share of their Lipman Electronic stock. Then on June 22, 2007, the Company  
18 announced that it had successfully completed a \$316.25 million offering of senior convertible notes.  
19 The offering terms dictated that these notes could be converted into shares of the Company's  
20 common stock under certain conditions.

21 53. Additionally, during the Class Period, and with the Company's securities trading at  
22 artificially inflated prices, Company insiders sold 22,513,752 shares of the Company's stock for  
23 gross proceeds of \$833,069,417. This trading by Company insiders is evidenced by the following  
24 chart:

25 Date of Trade	Inside Trader	Number of	Price per	Gross
26		Shares	Share	Proceeds
27 October 26, 2007	Waller, Elmore	3,200	\$46.25 - \$46.96	\$149,000
28 October 26, 2007	Waller, Elmore	6,800	\$46.97 - \$47.24	\$320,000

1	October 10, 2007	Bergeron, Douglas	17,300	\$46.04 - \$46.06	\$796,665
2	October 10, 2007	Bergeron, Douglas	69,700	\$45.73 - \$46.03	\$3,198,000
3	October 10, 2007	Bergeron, Douglas	69,800	\$45.50 - \$45.72	\$3,184,000
4	October 10, 2007	Bergeron, Douglas	43,200	\$45.13 - \$45.49	\$1,957,000
5	October 9, 2007	Zwarenstein, Barry	3,700	\$45.01 - \$45.73	\$168,000
6	October 9, 2007	Zwarenstein, Barry	100	\$45.01	\$4,501
7	October 9, 2007	Zwarenstein, Barry	4,700	\$44.72 - \$45	\$211,000
8	October 9, 2007	Zwarenstein, Barry	5,100	\$44.08 - \$44.71	\$226,000
9	October 9, 2007	Zwarenstein, Barry	4,400	\$43.45 - \$45.51	\$196,000
10	October 9, 2007	Angel, Isaac	15,000	\$43.97 - \$44.13	\$661,000
11	September 26, 2007	Atkinson, William G.	14,400	\$42.65 - \$42.97	\$616,000
12	September 26, 2007	Atkinson, William G.	12,000	\$42.98 - \$43.33	\$5,180,002
13	September 26, 2007	Atkinson, William G.	8,600	\$43.35 - \$43.73	\$374,000
14	September 25, 2007	Waller, Elmore	10,000	\$40.00	\$400,000
15	September 24, 2007	Adams, Jesse	222	\$38.64	\$8,578
16	September 24, 2007	Zwarenstein, Barry	222	\$38.64	\$8,578
17	September 24, 2007	Bergeron, Douglas	893	\$38.64	\$34,505
18	September 14, 2007	Castle, James C.	4,500	\$39.20 - \$39.22	\$176,000
19	September 13, 2007	Roche, Collin E.;	3,300,000	\$38.61	\$127,413,000
20		Bondy, Craig A.			
21	September 13, 2007	GTCR Invest LP ( <sup>1</sup> )	27,926	\$38.61	\$1,078,222
22					

23

24 <sup>1</sup> According to SEC filings, GTCR Golder Rauner, L.L.C. is the general partner of the general  
 25 partner of GTCR Fund VII, L.P., the general partner of the general partner of the general partner of  
 26 GTCR Capital Partners, L.P., and the general partner of GTCR Co-Invest, L.P. GTCR Golder  
 27 Rauner, L.L.C., through a six-person members committee, has voting and dispositive authority over  
 28 the VeriFone shares held by GTCR Fund VII, L.P., GTCR Capital Partners, L.P. and GTCR Co-  
 Invest, L.P. Collin E. Roche, a member of VeriFone's Board of Directors, and of the Board's  
 Compensation Committee, is a principal of GTCR Golder Rauner, L.L.C., and is a member of this  
 authoritative committee.

1	September 13, 2007	GTCR Capital Partners	221,728	\$38.61	\$8,560,918
2		LP (1)			
3	September 13, 2007	GTCR Fund VII LP (1)	3,050,346	\$38.61	\$117,773,859
4	September 12, 2007	Zwarenstein, Barry	3,574	\$39.85	\$142,423
5	September 11, 2007	Angel, Isaac	15,000	\$39.62 - \$39.77	\$595,000
6	September 11, 2007	Zwarenstein, Barry	9,000	\$39.81 - \$39.99	\$359,000
7	September 11, 2007	Zwarenstein, Barry	9,000	\$39 - \$39.81	\$355,000
8	September 10, 2007	Bergeron, Douglas	31,200	\$39.18 - \$39.39	\$1,226,000
9	September 10, 2007	Bergeron, Douglas	82,500	\$19.14 - \$39.17	\$3,231,525
10	September 10, 2007	Bergeron, Douglas	86,300	\$38.73 - \$38.92	\$3,351,000
11	August 14, 2007	Angel, Isaac	15,000	\$36.68 - \$36.84	\$551,000
12	August 14, 2007	Zwarenstein, Barry	9,700	\$36.79 - \$37.52	\$360,000
13	August 14, 2007	Zwarenstein, Barry	8,300	\$36.35 - \$36.78	\$303,000
14	August 10, 2007	Waller, Elmore	8,600	\$38.87 - \$39.12	\$335,000
15	August 10, 2007	Waller, Elmore	11,400	\$38.52 - \$38.87	\$441,000
16	August 10, 2007	Adams, Jesse	11,000	\$38.84 - \$39.10	\$429,000
17	August 10, 2007	Adams, Jesse	9,000	\$38.52 - \$38.83	\$348,000
18	August 10, 2007	Bergeron, Douglas	83,700	\$39.05 - \$39.15	\$3,273,000
19	August 1, 2007	Adams, Jesse	18,525	\$36.05 - \$36.58	\$673,000
20	August 1, 2007	Adams, Jesse	100	\$36.48	\$3,647
21	August 1, 2007	Adams, Jesse	17,514	\$35.62 - \$36.04	\$628,000
22	August 1, 2007	Adams, Jesse	24,964	\$35.05 - \$35.61	\$882,000
23	July 12, 2007	Bergeron, Douglas	37,300	\$36.86 - \$37.00	\$1,377,000
24	July 12, 2007	Bergeron, Douglas	47,950	\$36.61 - \$36.86	\$1,761,000
25	July 12, 2007	Bergeron, Douglas	71,450	\$36.49 - \$36.60	\$2,611,000
26	July 12, 2007	Bergeron, Douglas	43,300	\$36.31 - \$36.48	\$1,576,000
27	July 10, 2007	Atkinson, William G.	4,900	\$36.38 - \$36.75	\$179,000
28					



1	July 10, 2007	Atkinson, William G.	5,100	\$36.07 - \$36.37	\$185,000
2	July 10, 2007	Zwarenstein, Barry	9,800	\$36.37 - \$36.76	\$358,000
3	July 10, 2007	Zwarenstein, Barry	8,200	\$36.07 - \$36.36	\$297,000
4	July 10, 2007	Angel, Isaac	15,000	\$36.38 - \$36.46	\$546,000
5	July 9, 2007	Waller, Elmore	10,500	\$36.49 - \$36.94	\$386,000
6	July 9, 2007	Waller, Elmore	9,500	\$36.35 - \$36.49	\$346,000
7	July 2, 2007	Atkinson, William G.	5,645	\$35.11 - \$35.43	\$199,000
8	July 2, 2007	Atkinson, William G.	2,355	\$35.44 - \$35.48	\$84,000
9	July 2, 2007	Adams, Jesse	1,250	\$35.29	\$44,112
10	June 25, 2007	Roche, Collin E.;	3,500,000	\$35.37	\$123,794,999
11		Bondy, Craig A.			
12	June 25, 2007	GTCR Invest LP (1)	29,619	\$35.37	\$1,047,624
13	June 25, 2007	GTCR Capital Partners	235,165	\$35.37	\$8,317,786
14		LP (1)			
15	June 25, 2007	GTCR Fund VII LP (1)	3,235,216	\$35.37	\$114,429,589
16	June 22, 2007	Atkinson, William G.	224	\$36.36	\$8,144
17	June 22, 2007	Adams, Jesse	224	\$36.36	\$8,144
18	June 22, 2007	Zwarenstein, Barry	224	\$36.36	\$8,144
19	June 22, 2007	Bergeron, Douglas	894	\$36.36	\$32,505
20	June 13, 2007	Angel, Isaac	15,000	\$34.36	\$515,400
21	June 13, 2007	Waller, Elmore	20,000	\$35.00	\$700,000
22	June 12, 2007	Bergeron, Douglas	46,100	\$32.87 - \$33.10	\$1,521,000
23	June 12, 2007	Bergeron, Douglas	63,800	\$32.65 - \$32.86	\$2,090,000
24	June 12, 2007	Bergeron, Douglas	40,100	\$32.43 - \$32.64	\$1,305,000
25	June 12, 2007	Zwarenstein, Barry	11,700	\$32.50 - \$32.88	\$382,000
26	June 12, 2007	Zwarenstein, Barry	6,300	\$32.88 - \$33.00	\$208,000
27	June 11, 2007	Atkinson, William G.	10,000	\$32.44 - \$33.00	\$327,000
28					

1	June 1, 2007	Adams, Jesse	6,209	\$34.41 - \$34.62	\$214,000
2	June 1, 2007	Adams, Jesse	5,145	\$34.62 - \$34.93	\$179,000
3	June 1, 2007	Atkinson, William G.	4,375	\$34.41 - \$34.62	\$151,000
4	June 1, 2007	Atkinson, William G.	3,625	\$34.62 - \$34.93	\$126,000
5	May 14, 2007	Bergeron, Douglas	88,100	\$37.78 - \$37.99	\$3,338,000
6	May 10, 2007	Atkinson, William G.	10,000	\$37.51 - \$38.3	\$379,000
7	May 10, 2007	Bergeron, Douglas	21,671	\$38.07 - \$38.34	\$828,000
8	May 10, 2007	Bergeron, Douglas	28,164	\$37.97 - \$38.07	\$1,071,000
9	May 10, 2007	Bergeron, Douglas	47,600	\$37.78 - \$37.96	\$1,803,000
10	May 8, 2007	Zwarenstein, Barry	8,200	\$37.14 - \$37.58	\$306,000
11	May 8, 2007	Zwarenstein, Barry	9,700	\$37.58 - \$37.88	\$366,000
12	May 8, 2007	Angel, Isaac	15,000	\$37.56 - \$37.58	\$564,000
13	May 1, 2007	Adams, Jesse	9,334	\$35.50 - \$35.81	\$333,000
14	May 1, 2007	Adams, Jesse	11,833	\$35.82 - \$35.97	\$425,000
15	May 1, 2007	Atkinson, William G.	3,527	\$35.50 - \$35.81	\$126,000
16	May 1, 2007	Atkinson, William G.	4,473	\$35.82 - \$35.97	\$161,000
17	April 11, 2007	Bergeron, Douglas	24,000	\$37.50 - \$37.8	\$904,000
18	April 10, 2007	Atkinson, William G.	3,215	\$37.48 - \$37.87	\$121,000
19	April 10, 2007	Zwarenstein, Barry	12,215	\$37.87 - \$38.04	\$464,000
20	April 10, 2007	Zwarenstein, Barry	5,785	\$37.48 - \$37.87	\$218,000
21	April 10, 2007	Angel, Isaac	15,000	\$37.85 - \$37.87	\$568,000
22	April 10, 2007	Atkinson, William G.	6,785	\$37.87 - \$38.04	\$258,000
23	April 2, 2007	Atkinson, William G.	2,449	\$36.36 - \$37.76	\$91,000
24	April 2, 2007	Atkinson, William G.	5,551	\$36.18 - \$36.35	\$201,000
25	April 2, 2007	Adams, Jesse	2,212	\$36.43 - \$36.85	\$81,000
26	April 2, 2007	Adams, Jesse	12,392	\$36.18 - \$36.42	\$450,000
27	March 22, 2007	Atkinson, William G.	894	\$37.60	\$33,614
28					

1	March 22, 2007	Adams, Jesse	894	\$37.60	\$33,614
2	March 22, 2007	Zwarenstein, Barry	894	\$37.60	\$33,614
3	March 22, 2007	Bergeron, Douglas	3,575	\$37.60	\$134,420
4	March 15, 2007	Zwarenstein, Barry	5,400	\$36 - \$36.22	\$195,000
5	March 15, 2007	Zwarenstein, Barry	12,600	\$35.75 - \$35.98	\$452,000
6	March 15, 2007	Bergeron, Douglas	19,700	\$36.10 - \$36.27	\$713,000
7	March 15, 2007	Bergeron, Douglas	69,613	\$35.92 - \$36.10	\$2,507,000
8	March 15, 2007	Bergeron, Douglas	110,687	\$35.83 - \$35.92	\$3,971,000
9	March 13, 2007	Angel, Isaac	15,000	\$35.93 - \$36.24	\$541,000
10	March 12, 2007	Atkinson, William G.	6,300	\$36.38 - \$36.62	\$230,000
11	March 12, 2007	Atkinson, William G.	3,700	\$36.63 - \$36.83	\$136,000
12	March 1, 2007	Atkinson, William G.	5,026	\$38.38 - \$38.79	\$194,000
13	March 1, 2007	Atkinson, William G.	2,974	\$37.23 - \$38.37	\$112,000
14	March 1, 2007	Adams, Jesse	8,391	\$38.38 - \$38.79	\$324,000
15	March 1, 2007	Adams, Jesse	4,963	\$37.23 - \$38.37	\$188,000
16	February 8, 2007	Angel, Isaac	15,000	\$40.60 - \$40.75	\$610,000
17	February 1, 2007	Atkinson, William G.	2,938	\$40.25 - \$40.44	\$119,000
18	February 1, 2007	Atkinson, William G.	5,062	\$39.96 - \$40.25	\$203,000
19	February 1, 2007	Waller, Elmore	4,509	\$40.24 - \$40.44	\$182,000
20	February 1, 2007	Waller, Elmore	5,491	\$39.96 - \$40.23	\$220,000
21	February 1, 2007	Adams, Jesse	7,773	\$40.25 - \$40.44	\$314,000
22	February 1, 2007	Adams, Jesse	13,393	\$39.96 - \$40.25	\$537,000
23	January 22, 2007	Atkinson, William G.	7,329	\$37.90 - \$38.08	\$278,000
24	January 22, 2007	Atkinson, William G.	10,671	\$37.47 - \$37.86	\$402,000
25	January 10, 2007	Bergeron, Douglas	200,000	\$35.30 - \$35.55	\$7,085,000
26	January 9, 2007	Zwarenstein, Barry	4,000	\$35.21 - \$35.58	\$142,000
27	January 3, 2007	Waller, Elmore	10,000	\$35.58 - \$36.10	\$358,000
28					

1	January 3, 2007	Adams, Jesse	5,100	\$35.81 - \$36.13	\$183,000
2	January 3, 2007	Adams, Jesse	10,424	\$35.11 - \$35.80	\$370,000
3	December 19, 2006	Timm, Daniel L.;	3,000,000	\$35.78	\$107,340,000
4		Roche, Collin E.;			
5		Bondy, Craig A.			
6	December 19, 2006	GTCR Invest LP (1)	25,387	\$35.87	\$910,631
7	December 19, 2006	GTCR Capital Partners	201,571	\$35.78	\$7,212,210
8		LP (1)			
9	December 19, 2006	GTCR Fund VII LP (1)	2,773,042	\$35.78	\$99,219,442
10	December 13, 2006	Bergeron, Douglas	3,700	\$37.14 - \$37.21	\$138,000
11	December 13, 2006	Bergeron, Douglas	12,500	\$36.81 - \$37.12	\$462,000
12	December 13, 2006	Bergeron, Douglas	18,840	\$36.61 - \$36.8	\$692,000
13	December 13, 2006	Bergeron, Douglas	37,800	\$36.51 - \$36.6	\$1,382,000
14	December 13, 2006	Bergeron, Douglas	27,200	\$36.39 - \$36.51	\$991,000
15	December 12, 2006	Zwarenstein, Barry	4,000	\$36.86 - \$37.57	\$149,000
16	December 11, 2006	Bergeron, Douglas	12,300	\$36.29 - \$36.5	\$448,000
17	December 11, 2006	Bergeron, Douglas	10,600	\$35.97 - \$36.28	\$383,000
18	December 11, 2006	Bergeron, Douglas	28,800	\$35.89 - \$35.96	\$1,035,000
19	December 11, 2006	Bergeron, Douglas	21,300	\$35.75 - \$35.89	\$763,000
20	December 11, 2006	Bergeron, Douglas	26,900	\$35.55 - \$35.74	\$959,000
21	December 4, 2006	Bergeron, Douglas	20,900	\$34.33 - \$34.57	\$720,000
22	December 4, 2006	Bergeron, Douglas	61,100	\$33.99 - \$34.32	\$2,087,000
23	December 1, 2006	Atkinson, William G.	970	\$33.38 - \$33.6	\$32,000
24	December 1, 2006	Waller, Elmore	1,942	\$33.38 - \$33.60	\$65,000
25	December 1, 2006	Waller, Elmore	8,058	\$33.12 - \$33.37	\$268,000
26	December 1, 2006	Turnbull, David	1,552	\$33.38 - \$33.6	\$52,000
27	December 1, 2006	Turnbull, David	6,448	\$33.12 - \$33.37	\$214,000
28					

1	December 1, 2006	Atkinson, William G.	4,030	\$33.12 - \$33.37	\$134,000
2	December 1, 2006	Adams, Jesse	960	\$33.38 - \$33.6	\$32,000
3	December 1, 2006	Adams, Jesse	3,985	\$33.12 - \$33.37	\$132,000
4	December 1, 2006	Bergeron, Douglas	17,500	\$33.40 - \$33.63	\$5,870,002
5	December 1, 2006	Bergeron, Douglas	50,500	\$33.26 - \$33.4	\$1,683,000
6	November 30, 2006	Zwarenstein, Barry	4,000	\$32.82 - \$33.75	\$133,000
7	November 1, 2006	Waller, Elmore	4,810	\$29.79 - \$30.17	\$144,000
8	November 1, 2006	Waller, Elmore	5,190	\$29.39 - \$29.78	\$154,000
9	November 1, 2006	Turnbull, David	3,849	\$29.79 - \$30.17	\$115,000
10	November 1, 2006	Turnbull, David	4,151	\$29.39 - \$29.78	\$123,000
11	November 1, 2006	Atkinson, William G.	2,404	\$29.79 - \$30.17	\$72,000
12	November 1, 2006	Atkinson, William G.	2,596	\$29.39 - \$29.78	\$77,000
13	November 1, 2006	Adams, Jesse	3,833	\$29.79 - \$30.17	\$115,000
14	November 1, 2006	Adams, Jesse	4,140	\$29.39 - \$29.78	\$122,000
15	November 1, 2006	Bergeron, Douglas	57,400	\$29.95 - \$30.3	\$1,729,000
16	November 1, 2006	Bergeron, Douglas	28,900	\$29.66 - \$29.94	\$861,000
17	November 1, 2006	Bergeron, Douglas	19,000	\$29.54 - \$29.65	\$562,000
18	November 1, 2006	Bergeron, Douglas	19,700	\$29.29 - \$29.54	\$579,000
19	October 31, 2006	Zwarenstein, Barry	4,000	\$29 - \$29.22	\$116,000
20	October 2, 2006	Turnbull, David	4,611	\$28.02 - \$28.52	\$130,000
21	October 2, 2006	Turnbull, David	3,319	\$27.63 - \$28.01	\$92,000
22	October 2, 2006	Atkinson, William G.	2,881	\$28.02 - \$28.52	\$81,000
23	October 2, 2006	Atkinson, William G.	2,119	\$27.63 - \$28.01	\$59,000
24	October 2, 2006	Adams, Jesse	4,593	\$28.02 - \$28.52	\$130,000
25	October 2, 2006	Adams, Jesse	3,380	\$27.63 - \$28.01	\$94,000
26	October 2, 2006	Bergeron, Douglas	11,100	\$28.17 - \$28.45	\$314,000
27	October 2, 2006	Bergeron, Douglas	17,200	\$28.05 - \$28.16	\$483,000
28					



1	September 29, 2006	Zwarenstein, Barry	4,000	\$28.55 - \$29	\$115,000
2	September 5, 2006	Bergeron, Douglas	114,400	\$27.97 - \$28.13	\$3,209,000
3	September 5, 2006	Bergeron, Douglas	5,400	\$28.14 - \$28.76	\$154,000
4	September 1, 2006	Adams, Jesse	8,000	\$27.25 - \$28.11	\$221,000
5	September 1, 2006	Atkinson, William G.	5,000	\$27.25 - \$28.11	\$138,000
6	September 1, 2006	Turnbull, David	8,000	\$27.25 - \$28.11	\$221,000
7		<b>TOTAL:</b>	<b>22,513,752</b>		<b>\$833,069,417</b>
8			<b>Shares</b>		<b>Gross Proceeds</b>

**Applicability of Presumption of Reliance:  
Fraud On The Market Doctrine**

54. At all relevant times, the market for VeriFone's securities was an efficient market for the following reasons, among others:

- (a) VeriFone's securities met the requirements for listing, and were listed and actively traded on the NYSE, a highly efficient and automated market;
- (b) As a regulated issuer, VeriFone filed periodic public reports with the SEC and the NYSE;
- (c) VeriFone regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and
- (d) VeriFone was followed by several securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace.

55. As a result of the foregoing, the market for VeriFone's securities promptly digested current information regarding VeriFone from all publicly-available sources and reflected such

1 information in the price of VeriFone's securities. Under these circumstances, all purchasers of  
2 VeriFone's securities during the Class Period suffered similar injury through their purchase of  
3 VeriFone's securities at artificially inflated prices and a presumption of reliance applies.

4 **NO SAFE HARBOR**

5 56. The statutory safe harbor provided for forward-looking statements under certain  
6 circumstances does not apply to any of the allegedly false statements pleaded in this Complaint.  
7 Many of the specific statements pleaded herein were not identified as "forward-looking statements"  
8 when made. To the extent there were any forward-looking statements, there were no meaningful  
9 cautionary statements identifying important factors that could cause actual results to differ materially  
10 from those in the purportedly forward-looking statements. Alternatively, to the extent that the  
11 statutory safe harbor does apply to any forward-looking statements pleaded herein, defendants are  
12 liable for those false forward-looking statements because at the time each of those forward-looking  
13 statements was made, the particular speaker knew that the particular forward-looking statement was  
14 false, and/or the forward-looking statement was authorized and/or approved by an executive officer  
15 of VeriFone who knew that those statements were false when made.

16 **FIRST CLAIM**

17 **Violation of Section 10(b) of  
The Exchange Act and Rule 10b-5**

18 **Promulgated Thereunder Against All Defendants**

19 57. Plaintiff repeats and realleges each and every allegation contained above as if fully set  
20 forth herein.

21 58. During the Class Period, defendants carried out a plan, scheme and course of conduct  
22 which was intended to and, throughout the Class Period, did: (i) deceive the investing public,  
23 including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other  
24 members of the Class to purchase VeriFone's securities at artificially inflated prices. In furtherance  
25 of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions  
26 set forth herein.

27 59. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made untrue  
28 statements of material fact and/or omitted to state material facts necessary to make the statements not

1 misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud  
2 and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high  
3 market prices for VeriFone's securities in violation of Section 10(b) of the Exchange Act and Rule  
4 10b-5. All defendants are sued either as primary participants in the wrongful and illegal conduct  
5 charged herein or as controlling persons as alleged below.

6         60. Defendants, individually and in concert, directly and indirectly, by the use, means or  
7 instrumentalities of interstate commerce and/or of the mails, engaged and participated in a  
8 continuous course of conduct to conceal adverse material information about VeriFone's financial  
9 well-being, business relationships, and prospects, as specified herein.

10         61. These defendants employed devices, schemes and artifices to defraud, while in  
11 possession of material adverse non-public information and engaged in acts, practices, and a course of  
12 conduct as alleged herein in an effort to assure investors of VeriFone's value and performance and  
13 continued substantial growth, which included the making of, or the participation in the making of,  
14 untrue statements of material facts and omitting to state material facts necessary in order to make the  
15 statements made about VeriFone and its business operations and future prospects in light of the  
16 circumstances under which they were made, not misleading, as set forth more particularly herein,  
17 and engaged in transactions, practices and a course of business which operated as a fraud and deceit  
18 upon the purchasers of VeriFone's securities during the Class Period.

19         62. Each of the Individual Defendants' primary liability, and controlling person liability,  
20 arises from the following facts: (i) the Individual Defendants were high-level executives and/or  
21 directors at the Company during the Class Period and members of the Company's management team  
22 or had control thereof; (ii) each of these defendants, by virtue of their responsibilities and activities  
23 as a senior officer and/or director of the Company, was privy to and participated in the creation,  
24 development and reporting of the Company's internal budgets, plans, projections and/or reports; (iii)  
25 each of these defendants enjoyed significant personal contact and familiarity with the other  
26 defendants and was advised of, and had access to, other members of the Company's management  
27 team, internal reports and other data and information about the Company's finances, operations, and  
28 sales at all relevant times; and (iv) each of these defendants was aware of the Company's

1 dissemination of information to the investing public which they knew or recklessly disregarded was  
2 materially false and misleading.

3         63. The defendants had actual knowledge of the misrepresentations and omissions of  
4 material facts set forth herein, or acted with reckless disregard for the truth in that they failed to  
5 ascertain and to disclose such facts, even though such facts were available to them. Such defendants'  
6 material misrepresentations and/or omissions were done knowingly or recklessly and for the purpose  
7 and effect of concealing VeriFone's financial well-being, business relationships, and prospects from  
8 the investing public and supporting the artificially inflated price of its securities. As demonstrated  
9 by defendants' overstatements and misstatements of the Company's financial well-being, business  
10 relationships, and prospects throughout the Class Period, defendants, if they did not have actual  
11 knowledge of the misrepresentations and omissions alleged, were reckless in failing to obtain such  
12 knowledge by deliberately refraining from taking those steps necessary to discover whether those  
13 statements were false or misleading.

14         64. As a result of the dissemination of the materially false and misleading information  
15 and failure to disclose material facts, as set forth above, the market price of VeriFone's securities was  
16 artificially inflated during the Class Period. In ignorance of the fact that market prices of VeriFone's  
17 securities were artificially inflated, and relying directly or indirectly on the false and misleading  
18 statements made by defendants, or upon the integrity of the market in which the securities trades,  
19 and/or in the absence of material adverse information that was known to or recklessly disregarded by  
20 defendants, but not disclosed in public statements by defendants during the Class Period, Plaintiff  
21 and the other members of the Class acquired VeriFone's securities during the Class Period at  
22 artificially high prices and were damaged thereby.

23         65. At the time of said misrepresentations and omissions, Plaintiff and other members of  
24 the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other  
25 members of the Class and the marketplace known the truth regarding the problems that VeriFone  
26 was experiencing, which were not disclosed by defendants, Plaintiff and other members of the Class  
27 would not have purchased or otherwise acquired their VeriFone securities, or, if they had acquired  
28 such securities during the Class Period, they would not have done so at the artificially inflated prices

1 which they paid.

2 66. By virtue of the foregoing, defendants have violated Section 10(b) of the Exchange  
3 Act and Rule 10b-5 promulgated thereunder.

4 67. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and the  
5 other members of the Class suffered damages in connection with their respective purchases and sales  
6 of the Company's securities during the Class Period.

7 **SECOND CLAIM**

8 **Violation of Section 20(a) of**

9 **The Exchange Act Against the Individual Defendants**

10 68. Plaintiff repeats and realleges each and every allegation contained above as if fully set  
11 forth herein.

12 69. The Individual Defendants acted as controlling persons of VeriFone within the  
13 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level  
14 positions, and their ownership and contractual rights, participation in and/or awareness of the  
15 Company's operations and/or intimate knowledge of the false financial statements filed by the  
16 Company with the SEC and disseminated to the investing public, the Individual Defendants had the  
17 power to influence and control and did influence and control, directly or indirectly, the decision-  
18 making of the Company, including the content and dissemination of the various statements which  
19 Plaintiff contends are false and misleading. The Individual Defendants were provided with or had  
20 unlimited access to copies of the Company's reports, press releases, public filings and other  
21 statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were  
22 issued and had the ability to prevent the issuance of the statements or cause the statements to be  
23 corrected.

24 70. In particular, each of these defendants had direct and supervisory involvement in the  
25 day-to-day operations of the Company and, therefore, is presumed to have had the power to control  
26 or influence the particular transactions giving rise to the securities violations as alleged herein, and  
27 exercised the same.

28 71. As set forth above, VeriFone and the Individual Defendants each violated Section  
10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their



positions as controlling persons, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of defendants' wrongful conduct, Plaintiff and other members of the Class suffered damages in connection with their purchases of the Company's securities during the Class Period.

**WHEREFORE**, Plaintiff prays for relief and judgment, as follows:


- (a) Determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;
- (b) Awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;
- (c) Awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and
- (d) Such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: December 10, 2007

SCHIFFRIN BARROWAY TOPAZ & KESSLER, LLP

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## CERTIFICATION

I, Donald Cerini, ("Plaintiff") declare, as to the claims asserted under the federal securities laws, that:

1. Plaintiff has reviewed the Complaint, and authorizes its filing.
2. Plaintiff did not purchase the security that is the subject of this action at the direction of Plaintiff's counsel or in order to participate in any private action.
3. Plaintiff is willing to serve as a representative party on behalf of the class, either individually or as part of a group, including providing testimony at deposition and trial, if necessary.
4. Plaintiff's purchase and sale transaction(s) in the VeriFone Holdings, Inc. (NYSE: PAY) security that is the subject of this action during the Class Period is/are as follows:

Type of Security (common stock, preferred, option, or bond)	Number of Shares	Bought (B)	Sold (S)	Date	Price per share
Common stock	125	(B)		01/29/07	\$39.91
Common stock	125		(S)	02/27/07	\$37.92

(Please list additional purchase and sale information on a separate sheet of paper, if necessary)

5. Plaintiff has complete authority to bring a suit to recover for investment losses on behalf of purchasers of the subject securities described herein (including plaintiff, any co-owners, any corporations or other entities, and/or any beneficial owners).
6. During the three years prior to the date of this Certification, Plaintiff has not sought to serve or served as a representative party for a class in an action filed under the federal securities laws except as described below: \_\_\_\_\_.
7. Plaintiff will not accept any payment for serving as a representative party on behalf of the class beyond the Plaintiff's pro rata share of any recovery, except such reasonable costs and expenses (including lost wages) directly relating to the representation of the class as ordered or approved by the Court.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 8 day of December, 2007

  
DONALD CERINI